

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
July 19, 2007, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Mike Gessner, Vice President  
Clarence Corneil, Trustee  
Kim Franz, Trustee  
Wayne Sanstead, State Superintendent  
Kelly Schmidt, State Treasurer

**BOARD MEMBER ABSENT:** Lowell Latimer, Trustee

**STAFF PRESENT:** Steve Cochrane, Executive Director  
Fay Kopp, Deputy Executive Director  
Bonnie Heit, Office Manager  
Les Mason, Internal Audit Supervisor  
Darlene Roppel, Administrative Assistant  
Kelli Schroeder, Data Processing Coordinator  
Shelly Schumacher, Retirement Program Manager  
Dottie Thorsen, Internal Auditor  
Gary Vetter, Supervisor Information Services

**OTHERS PRESENT:** Erica Cermak, NDRTA  
Chris Conradi, GRS, via teleconference  
Ken Tupa, NDRTA  
Aaron Webb, Attorney General's Office

**CALL TO ORDER:**

Mr. Mike Gessner, Vice President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, July 19, 2007, at the State Capitol, Ft. Totten Room, Bismarck, ND.

**THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: VICE PRESIDENT GESSNER, MR. CORNEIL, MRS. FRANZ, DR. SANSTEAD AND TREASURER SCHMIDT.**

**MINUTES:**

The Board considered the minutes of the June 14, 2007, board meeting.

**TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE MINUTES OF THE JUNE 14, 2007, BOARD MEETING.**

**AYES: TREASURER SCHMIDT, MRS. FRANZ, DR. SANSTEAD, VICE PRESIDENT GESSNER, AND MR. CORNEIL.**

**NAYS: NONE**

**MOTION CARRIED.**

**ELECTION OF 2007-08 OFFICERS:**

Vice President Gessner opened the floor for nominations for the position of President of the TFFR Board.

MRS. FRANZ NOMINATED MR. MIKE GESSNER FOR PRESIDENT. TREASURER SCHMIDT SECONDED THE NOMINATION. TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO CEASE NOMINATIONS AND CAST A UNANIMOUS BALLOT FOR MR. GESSNER AS PRESIDENT.

AYES: MR. GESSNER, TREASURER SCHMIDT, MR. CORNEIL, DR. SANSTEAD AND MRS. FRANZ.

NAYS: NONE

MOTION CARRIED.

President Gessner opened the floor for nominations for the position of Vice President of the TFFR Board.

MR. CORNEIL NOMINATED DR. LOWELL LATIMER FOR VICE PRESIDENT. MRS. FRANZ SECONDED THE NOMINATION. TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO CEASE NOMINATIONS AND CAST A UNANIMOUS BALLOT FOR DR. LATIMER AS VICE PRESIDENT.

AYES: MR. CORNEIL, DR. SANSTEAD, TREASURER SCHMIDT, PRESIDENT GESSNER AND MRS. FRANZ.

NAYS: NONE

MOTION CARRIED.

President Gessner reviewed board member assignments to the State Investment Board (SIB). TFFR representation on the SIB consists of one active administrator, one active teacher, one retired member, and the State Treasurer. The Board also discussed the TFFR alternate to the SIB, the TFFR representative on the SIB Audit Committee, and TFFR Benefits/Services Committee. After discussion,

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED THAT PRESIDENT GESSNER, MR. CORNEIL AND THE APPOINTED SCHOOL ADMINISTRATOR SERVE ON THE SIB WITH DR. SANSTEAD AS AN ALTERNATE; PRESIDENT GESSNER REPRESENT TFFR ON THE SIB AUDIT COMMITTEE; AND MRS. FRANZ, DR. LATIMER AND DR. SANSTEAD CONTINUE SERVING ON THE TFFR BENEFITS/SERVICES COMMITTEE.

AYES: TREASURER SCHMIDT, DR. SANSTEAD, MR. CORNEIL, PRESIDENT GESSNER AND MRS. FRANZ.

NAYS: NONE

MOTION CARRIED.

**BOARD EDUCATION:**

Service Purchases: Mrs. Shelly Schumacher, Retirement Program Manager, presented background information on service purchases including types of service, eligibility requirements, cost calculations, and payment options. She also provided service purchase statistics for the 10 year period from 1997 - 2006. Board discussion followed.

**SERVICE PURCHASE PROJECT:**

Mrs. Fay Kopp, Deputy Executive Director, explained that Gabriel Roeder Smith & Company (GRS) recently completed a review of TFFR's longstanding method of calculating the actuarial cost to purchase service credit to ensure that it meets the "actuarial equivalent" standard. She stated the number and amount of service purchases has increased in the past few years primarily due to provisions allowing members to purchase "air time" and use rollover funds from existing 403(b) and other tax qualified plans to fund such purchases.

Mr. Chris Conradi, GRS, outlined the results of his review of TFFR service purchase calculations and factors. Mr. Conradi described the current methodology and stated the approach may no longer be considered actuarially neutral to the Fund. The current approach does not consider the effect of the purchase on retirement age, nor the impact of member contributions lost. Therefore, the actuary recommended changing the current simplified approach to a more accurate approach which will increase the cost of service purchases by about 40% on average.

The Board discussed the impact of such a change on members, notification, and timing issues. They also considered the potential TFFR losses with the current approach, and the administrative costs and complexities of the recommended approach. After discussion,

**MR. CORNEIL MOVED AND DR. SANSTEAD SECONDED THAT THE RIO STAFF AND ACTUARY FURTHER INVESTIGATE THE ACTUARY'S RECOMMENDATION RELATING TO SERVICE PURCHASE COST CALCULATION, INCLUDING CONSULTATION WITH TFFR'S LEGAL COUNSEL, AND PRESENT TO THE BOARD AS SOON AS POSSIBLE.**

**AYES: MRS. FRANZ, DR. SANSTEAD, MR. CORNEIL, TREASURER SCHMIDT AND PRESIDENT GESSNER.**

**NAYS: NONE**

**MOTION CARRIED.**

**TFFR BOARD ACCOMPLISHMENTS:**

Mrs. Kopp reviewed the 2006-07 TFFR Board Accomplishments Report.

DR. SANSTEAD MOVED AND MRS. FRANZ SECONDED TO ACCEPT THE 2006-07 TFFR BOARD ACCOMPLISHMENT SUMMARY REPORT.

AYES: DR. SANSTEAD, MR. CORNEIL, MRS. FRANZ, PRESIDENT GESSNER AND TREASURER SCHMIDT

NAYS: NONE

MOTION CARRIED.

**ANNUAL TFFR PROGRAM REVIEW:**

Mrs. Kopp reviewed the 2006-07 TFFR Program Monitoring Summary Report. She also led a review of the TFFR Program Manual and described possible changes to the following Ends Policies: Plan Beneficiaries, Membership Data and Contributions, Investment Policy Statement, Member Services, and Actuarial Margin. She also reviewed possible changes to the following Program Policies: Automatic Refunds, Disclosure to Membership, DPI Employees Retirement Plan Election, Employer Reporting Errors, and Payment of Benefits. Mrs. Kopp will present draft policy changes at the September meeting.

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE ANNUAL TFFR PROGRAM AND POLICY REVIEW.

AYES: TREASURER SCHMIDT, MR. CORNEIL, PRESIDENT GESSNER, MRS. FRANZ AND DR. SANSTEAD.

NAYS: NONE

MOTION CARRIED.

**ANNUAL TECHNOLOGY REVIEW:**

Mr. Gary Vetter, Supervisor of Information Technology, updated the Board on RIO's technology plans. He described hardware, software, and other information technology initiatives.

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE ANNUAL TECHNOLOGY REVIEW.

AYES: PRESIDENT GESSNER, MRS. FRANZ, TREASURER SCHMIDT, DR. SANSTEAD AND MR. CORNEIL.

NAYS: NONE

MOTION CARRIED.

**ANNUAL CUSTOMER SATISFACTION REPORTS:**

Mrs. Kopp reported on the annual TFFR Customer Satisfaction Surveys that were received from North Dakota Education Association (NDEA), North Dakota Council of Educational Leaders (NDCEL), North Dakota Retired Teachers Association (NDRTA), North Dakota School Boards Association (NDSBA), and the North Dakota School Business Managers Association (NDSBMA). She also presented member and employer's ratings and comments from benefits counseling sessions, pre-retirement seminars, business manager workshops and other member and employer communications. The overall ratings and comments were very positive. Copies of the survey responses are on file at RIO.

**TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE TFFR ANNUAL CUSTOMER SATISFACTION REPORTS AS PRESENTED.**

**AYES: MR. CORNEIL, PRESIDENT GESSNER, DR. SANSTEAD, MRS. FRANZ AND TREASURER SCHMIDT.**

**NAYS: NONE**

**MOTION CARRIED.**

President Gessner requested the Board's input for completion of the SIB annual Customer Satisfaction Survey. The Board rated the RIO staff and the services provided as excellent in all areas.

**MR. CORNEIL MOVED AND TREASURER SCHMIDT SECONDED TO SUBMIT THE TFFR BOARD COMMENTS ON THE SIB'S ANNUAL CUSTOMER SATISFACTION SURVEY.**

**AYES: PRESIDENT GESSNER, MRS. FRANZ, TREASURER SCHMIDT, DR. SANSTEAD AND MR. CORNEIL**

**NAYS: NONE**

**MOTION CARRIED.**

**INVESTMENT UPDATE:**

Mr. Steve Cochrane, Executive Director, thanked the TFFR board for the excellent ratings given on the SIB Customer Satisfaction Survey. Mr. Cochrane stated TFFR's estimated investment return for fiscal year ended June 30, 2007 is 19.49%.

Mr. Cochrane also reviewed the agenda for the July 20, 2007, SIB meeting.

CONSENT AGENDA:

MR. CORNEIL MOVED AND MRS. FRANZ SECONDED TO APPROVE A MEMBER'S DISABILITY BENEFIT APPLICATION.

AYES: MRS. FRANZ, DR. SANSTEAD, PRESIDENT GESSNER, AND MR. CORNEIL

NAYS: NONE

ABSENT: TREASURER SCHMIDT

MOTION CARRIED.

The Board recessed at 3:18 p.m. and reconvened at 3:28 p.m.

OTHER:

Mrs. Kopp reported the National Council on Teacher Retirement (NCTR) annual trustee workshop will be held July 30-August 1 in Boston, Massachusetts. Information about the NCTR Annual Convention scheduled for October 7-11, 2007, in Scottsdale, Arizona, is included in the Board members' packets. Trustees should let staff know by August 15 if they are interested in attending.

EXECUTIVE SESSION:

President Gessner advised the Board that it would go into Executive Session to discuss confidential information relating to a member's disability application. President Gessner reminded the Board that Executive Session discussion must be limited to the disability application only. Under North Dakota Century Code (NDCC) 44-04-19.1 (2), the Board has the legal authority to meet in Executive Session for the purpose of discussing confidential member information.

EXECUTIVE SESSION

Executive Session attendees included: Mr. Corneil, Mrs. Franz, President Gessner, Dr. Sanstead, Treasurer Schmidt, Mr. Webb, RIO staff, member, and member's witnesses.

Executive Session began at 3:30 p.m. and ended at 4:02 p.m.

OPEN SESSION

MR. CORNEIL MOVED AND MRS. FRANZ SECONDED TO TABLE THE DISABILITY APPLICATION PENDING ADDITIONAL MEDICAL INFORMATION WHICH MUST BE PRESENTED TO RIO STAFF BY JANUARY 15, 2008.

AYES: PRESIDENT GESSNER, TREASURER SCHMIDT, MR. CORNEIL, DR. SANSTEAD, AND MRS. FRANZ

NAYS: NONE  
MOTION CARRIED.

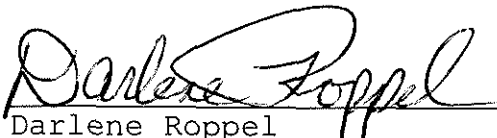
ADJOURNMENT:

With no further business to come before the Board, Treasurer Schmidt moved to adjourn. President Gessner adjourned the meeting at 4:05 p.m.

Respectfully Submitted:



Mr. Mike Gessner, President  
Teachers' Fund for Retirement Board



Darlene Roppel  
Reporting Secretary